

MAINE REVENUE SERVICES

TAX REFORM LD 1495 – PL 2009, c. 382

Impact of Tax Reform on Sales, Use and Service Provider Taxes

The following provides an overview of the sales, use and service provider tax changes made by the recently-enacted tax reform legislation. This web site will soon be updated and expanded to include more detailed information on each topic. Check this page frequently for updated information.

Details of the enacted language of LD 1495 can be viewed at:

http://www.mainelegislature.org/legis/bills/bills_124th/chapters/PUBLIC382.asp

Tax rates will increase as follows:

- Effective October 1, 2009, sales tax increases from 10% to 12.5% on short term rentals of automobiles (less than 12 months).
- Effective January 1, 2010, sales tax increases from 7% to 8.5% on liquor served on-premises; store sales of beer, wine and liquor remain at 5%
- Effective January 1, 2010, sales tax increases from 7% to 8.5% on rentals of living quarters. Rentals at campgrounds remain at 7%.
- Effective January 1, 2010, sales tax increases from 7% to 8.5% on prepared food. All candy will be taxed at 8.5%. *Note: the definition of “candy” for sales tax purposes has changed and is outlined below.*

Effective April 1, 2010, all rentals and leases of tangible personal property will be subject to the 5% sales tax.

- Daily rentals of items such as small tools, party equipment, tuxedos, gowns, tables, chairs, tents, golf clubs, bowling shoes, ski equipment, heavy equipment, lawn and garden equipment, moving vans/trucks, office equipment, etc. would become taxable on April 1, 2010.
- Long term leases entered into prior to April 1, 2010 are not affected.
- Renewals or extensions of these leases would become taxable under this new taxation.
- Long term leases entered into on or after April 1, 2010 will be taxable on the rental payments.
- Payment of tax will be accelerated to the first month of the lease.

Effective January 1, 2010, candy is defined as “a preparation of sugar, honey or other natural or artificial sweeteners in combination with chocolate, fruits, nuts or other

ingredients or flavorings in the form of bars, drops or pieces and that does not contain flour or require refrigeration.”

- The definition includes items such as fruit roll-ups, marshmallows, chocolate chips, cake decorations, caramel corn, caramel apples, and trail mix containing candy, but excludes any item containing flour, such as Twix® and Kit Kat® bars.

Effective January 1, 2010, soft drink is defined as “any nonalcoholic beverage that contains natural or artificial sweeteners. “Soft drink” does not include any beverage that contains milk or milk products, greater than 50% of vegetable or fruit juice by volume or flavored or unflavored soy milk, rice milk, almond milk, grain milk and similar milk substitutes”

- In addition to continuing the sales tax on carbonated soda, the definition expands the sales tax to all beverages containing less than 51% vegetable or fruit juice, such as Gatorade, fruit punch drinks, and juice drinks/cocktails. The definition excludes all milk products.

Effective January 1, 2010, meals served at retirement facilities will be exempt.

Effective January 1, 2010, any nonprofit organization currently holding a sales tax exemption certificate will no longer be able to purchase prepared food, rentals of living quarters or short-term rentals of automobiles free of sales tax.

Effective January 1, 2010, interstate and international telecommunications service provided to residential customers will be taxable.

Effective January 1, 2010, a \$1 fee per passenger will be imposed on taxicab and limousine operators for each conveyance originating from or terminating at a commercial airport.

Finally, effective January 1, 2010, sales tax will apply to the following services:

1. Amusement, entertainment and recreation services

- Admission fees to entertainment venues and performances, including theaters, movies, lectures, concerts, festivals, amusement parks, water parks, fairgrounds, except for licensed agricultural fairs, race tracks, carnivals, circuses, sports activities, stadiums, amphitheaters, museums, planetariums, animal parks, petting zoos, aquariums, historical sites and convention centers;
- Fees charged for participation in or entry to miniature golf courses, billiard parlors, go-cart courses and paintball;
- Admission fees charged for exhibition shows such as auto, boat, camping, home, garden, animal and antique shows;
- Fees charged for scenic and sight-seeing excursions including aircraft, helicopter, balloon, blimp, watercraft, railroad, bus, trolley and wagon rides, whitewater rafting and guided recreation, but excluding scenic and sight-seeing excursions on federally navigable waters;

and

- Entertainment services such as those provided by bands, orchestras, disc jockeys, comedians, clowns, jugglers, children's entertainers and ventriloquists.

It DOES NOT include:

- Fees charged for admission to a licensed agricultural fair or charges for participation in any events or activities occurring at the fair organized by a school or incorporated nonprofit organization if all the proceeds from the event or activity are used for the charitable purposes of the school or organization;
- Fees charged by health clubs and fitness centers;
- Fees charged for lessons or training in dance, music, theater, arts and gymnastics, martial arts and other athletic pursuits; or
- Fees charged for admission to:
 - (a) Museums and aquariums operated by a governmental entity or incorporated, nonprofit organization;
 - (b) Concerts, dance productions, theatrical productions, sports activities or similar events or activities organized and performed by a school or incorporated, nonprofit organization, if all proceeds of the event or activity are used for the charitable purposes of that school or organization; or
 - (c) Festivals and special events organized by governmental entities, schools or incorporated, nonprofit organizations if all the proceeds of the festival or special event are directed to support a charitable purpose.

2. Installation, repair and maintenance services

Installation, repair and maintenance services of:

- jewelry
- cameras
- guns
- musical instruments
- electronic and mechanical equipment
- lawn and garden equipment
- computer hardware and office equipment
- vehicles and
- appliances;

Installation, repair and maintenance also means

- service and maintenance contracts for any of the above listed items
- tailoring

- clothing and shoe repair and
- furniture repair and restoration.

It DOES NOT apply to services performed on:

- computer software
- special mobile equipment
- aircraft
- watercraft or
- a truck or truck tractor registered in the name of a business as a commercial motor vehicle.

3. Personal property services

The following personal property services:

- dry cleaning;
- laundry and diaper services not including self-service laundry services;
- embroidery and monogramming;
- car washing;
- pressure cleaning and washing;
- pet services such as exercising, sitting, training, grooming and boarding for nonmedical purposes;
- picture framing;
- domestic services, including house cleaning and furniture and rug cleaning;
- interior decoration;
- meal preparation;
- butchering;
- art restoration;
- warehousing and storage, including rental of storage units and warehouse space, but not including warehousing and storage services provided to a business;
- moving services;
- vehicle towing; and
- boat mooring.

4. Transportation and courier services

“Transportation and courier services” means in-state transportation of persons or property by

limousine and courier services. For the purposes of the new law, “limousine service” means livery service hired for a specific event.